

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
Washington, D.C.**

**FINANCIAL STATEMENTS
September 30, 2001 and 2000**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES**

**FINANCIAL STATEMENTS
September 30, 2001 and 2000**

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**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATED BALANCE SHEETS
As of September 30, 2001 and 2000
(Dollars in thousands)**

	<u>2001</u>	<u>2000</u>
ASSETS		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 29,277,443	\$ 29,702,316
Accounts receivable, net (Note 3)	<u>784</u>	<u>2,184</u>
Total intra-governmental	29,278,227	29,704,500
 Accounts receivable, net (Note 3)	 89	 120
Property and equipment, net (Note 4)	<u>193</u>	<u>274</u>
 TOTAL ASSETS	 <u><u>\$ 29,278,509</u></u>	 <u><u>\$ 29,704,894</u></u>
 LIABILITIES		
Intragovernmental:		
Accounts payable	\$ 2,667	\$ 3,504
Accrued payroll and benefits	<u>1,542</u>	<u>1,431</u>
Total intra-governmental	4,209	4,935
 Accounts payable	 22,627	 16,229
Accrued payroll and benefits	6,168	5,727
Accrued grant liability (Note 5)	1,515,143	827,710
Accrued FECA liability (Note 6 and 7)	5,082	4,708
Accrued annual leave (Note 6)	11,052	10,914
Liability for deposit funds (Note 6)	<u>36,186</u>	<u>5,018</u>
 Total liabilities	 <u>1,600,467</u>	 <u>875,241</u>
 NET POSITION		
Unexpended appropriations (Note 8)	27,690,182	28,845,001
Cumulative results of operations	<u>(12,140)</u>	<u>(15,348)</u>
Total Net Position	<u>27,678,042</u>	<u>28,829,653</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 29,278,509</u></u>	 <u><u>\$ 29,704,894</u></u>

The accompanying notes are an integral part of
these financial statements.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATED STATEMENTS OF NET COST
For The Years Ended September 30, 2001 and 2000
(Dollars in thousands)**

	<u>2001</u>	<u>2000</u>
GPRA PROGRAM COSTS		
Temporary Assistance to Needy Families	\$ 17,886,274	\$ 16,366,930
Developmental Disabilities	105,251	139,533
Refugee Resettlement	385,723	447,892
Social Services Block Grant	1,859,959	1,849,521
Child Support Enforcement	3,270,104	2,630,516
Child Care	4,118,955	3,260,168
Head Start	6,014,077	4,677,539
Child Welfare	7,014,178	5,735,557
Youth	140,953	201,235
Community Services	661,803	555,631
Domestic Violence	30,233	7,861
Low Income Home Energy Assistance	2,167,894	1,508,110
Native American	29,956	47,575
Individual Development Accounts	<u>908</u>	<u>3,559</u>
Net Costs – GPRA Programs	<u>43,686,268</u>	<u>37,431,627</u>
OTHER ACTIVITIES		
Expired Programs – WHCOA	1	174
Community Schools	<u>(67)</u>	<u>24</u>
Net Cost – Other Activities	<u>(66)</u>	<u>198</u>
NET COST OF OPERATIONS (Note 10)	<u><u>\$ 43,686,202</u></u>	<u><u>\$ 37,431,825</u></u>

The accompanying notes are an integral part of
these financial statements.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For The Years Ended September 30, 2001 and 2000
(Dollars in thousands)**

	<u>2001</u>	<u>2000</u>
NET COST OF OPERATIONS	\$ (43,686,202)	\$ (37,431,825)
Financing Sources (other than exchange revenues):		
Appropriations used	43,673,870	37,421,091
Imputed financing	<u>9,708</u>	<u>9,016</u>
Net results of operations and change in Cumulative results of operations	(2,624)	(1,718)
Decrease in unexpended appropriations	<u>(1,148,987)</u>	<u>(1,149,314)</u>
CHANGE IN NET POSITION	(1,151,611)	(1,151,032)
NET POSITION – BEGINNING OF YEAR	<u>28,829,653</u>	<u>29,980,685</u>
NET POSITION - END OF YEAR	<u><u>\$ 27,678,042</u></u>	<u><u>\$ 28,829,653</u></u>

The accompanying notes are an integral part of
these financial statements.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For The Years Ended September 30, 2001 and 2000
(Dollars in thousands)**

	<u>2001</u>	<u>2000</u>
BUDGET RESOURCES:		
Budget authority	\$ 43,405,633	\$ 37,000,378
Unobligated balances – beginning of period	7,716,285	10,451,553
Spending authority from offsetting collections	22,022	8,535
Adjustments	<u>(2,387,568)</u>	<u>(2,365,549)</u>
Total Budgetary Resources	<u>\$ 48,756,372</u>	<u>\$ 45,094,917</u>
STATUS OF BUDGETARY RESOURCES:		
Obligations incurred	\$ 42,820,479	\$ 39,122,257
Unobligated balances – available	710,548	783,232
Unobligated balances – not available	<u>5,225,345</u>	<u>5,189,428</u>
Total Status of Budgetary Resources	<u>\$ 48,756,372</u>	<u>\$ 45,094,917</u>
OUTLAYS:		
Obligations incurred	\$ 42,820,479	\$ 39,122,257
Less: spending authority from offsetting collections and adjustments	<u>(195,642)</u>	<u>(90,035)</u>
Net obligations incurred	42,624,837	39,032,222
Obligated balance, net – beginning of period	21,299,157	19,718,497
Less: obligated balance, net – end of period	<u>(20,832,835)</u>	<u>(21,299,157)</u>
Total Outlays	<u>\$ 43,091,159</u>	<u>\$ 37,451,562</u>

The accompanying notes are an integral part of
these financial statements.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATED STATEMENTS OF FINANCING
For The Years Ended September 30, 2001 and 2000
(Dollars in thousands)**

	<u>2001</u>	<u>2000</u>
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary:		
Budgetary resources obligated for orders and delivery of goods and services to be received or benefits to be provided to others	\$ 42,820,479	\$ 39,122,257
Less: Offsetting collections, recoveries of prior-year authority, and changes in unfilled customer orders	<u>(195,642)</u>	<u>(90,035)</u>
Net budgetary resources used to finance activities	42,624,837	39,032,222
Non-Budgetary:		
Costs incurred by others for the entity without reimbursement	<u>9,708</u>	<u>9,016</u>
Total Resources Used to Finance Activities	<u>42,634,545</u>	<u>39,041,238</u>
RELATIONSHIP OF TOTAL RESOURCES TO THE NET COST OF OPERATIONS		
Change in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	<u>1,049,051</u>	<u>(1,613,461)</u>
Total Resources Provided (Used) to Fund Items Not Part of the Net Cost of Operations	<u>1,049,051</u>	<u>(1,613,461)</u>
Resources Used to Finance the Net Cost of Operations	<u>43,683,596</u>	<u>37,427,777</u>
COMPONENTS OF NET COST OF OPERATIONS THAT DO NOT REQUIRE OR GENERATE RESOURCES DURING THE REPORTING PERIOD		
Expenses or exchange revenue related to the disposition of assets or liabilities, or allocation of their costs over time	80	197
Expenses that will be financed with budgetary resources recognized in future periods:		
Increase in annual leave liability	139	118
Other	<u>2,387</u>	<u>3,733</u>
Total components of net cost of operations that do not require or generate resources during the reporting period	<u>2,606</u>	<u>4,048</u>
NET COST OF OPERATIONS	<u>\$ 43,686,202</u>	<u>\$ 37,431,825</u>

The accompanying notes are an integral part of these financial statements.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Administration for Children and Families (ACF) have been prepared from its accounting records to report its financial position, net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources. Such statements have been prepared in accordance with generally accepted accounting principles (GAAP), and the form and content requirements specified by the Office of Management and Budget's (OMB) Bulletins entitled *Form and Content of Agency Financial Statements* (No. 97-01, as amended, and the portions of No. 01-09 that are required to be implemented in fiscal 2001). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U.S. Federal Government by the American Institute of Certified Public Accountants.

ACF uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual accounting. Budgetary account balances are included in certain statements as appropriate. Budgetary accounting principles ensure that funds are obligated according to legal requirements. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control ACF's use of budgetary resources.

Reporting Entity

ACF is an operating division (OPDIV) of the Department of Health and Human Services (HHS), which is a Cabinet agency of the Executive Branch of the United States Government. ACF was established in 1991 to merge two major HHS OPDIVs: the Family Support Administration and the Office of Human Development Services. The purpose of the merger was to bring together under one agency all service and assistance payments that support children and families. ACF provides national leadership and direction to plan, manage and coordinate the nationwide administration of comprehensive and supportive programs for vulnerable children and families, Native Americans, persons with developmental disabilities, refugees and legalized aliens, to help them achieve stability, economic security, responsibility and self-sufficiency.

HHS's Chief Financial Officer's (CFO) office provides the Department-wide accounting policy oversight. The Division of Financial Operations (DFO) of the Program Support Center (PSC) provides the accounting and fiscal services, including the preparation of the financial statements, on a fee for service basis. DFO is considered part of the ACF's management.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The majority of ACF's appropriated funds are used to support authorized entitlement and discretionary grant programs. Such programs are carried out by state, county, city and tribal government's as well as public and private local agencies. In addition, ACF also utilizes a number of receipt, deposit, and/or budget clearing accounts. The financial statements report activity for the appropriated funds listed below, with the related appropriation account symbols and period of fund availability.

Annual Appropriations

75 1501	Family Support Payments to States
75 1502	Low Income Home Energy Assistance
75 1503	Refugee Entrant Assistance
75 1504	Community Services Block Grant
75 1508	Interim Assistance to States for Legalization
75 1509	Payments to States for AFDC Work Programs
75 1511	Refugee Resettlement Assistance
75 1512	Promoting Safe and Stable Families
75 1515	Child Care and Development Block Grants
75 1534	Social Services Block Grant
75 1536	Children and Families Services Program
75 1545	Payments to States for Foster Care and Adoption Assistance
75 1550	Child Care Entitlement to States
75 1552	Temporary Assistance for Needy Families
75 1553	Children's Research and Technical Assistance
75 8605	Violent Crime Reduction Trust Fund

No-Year Appropriations and Deposit Funds (DF)

75 X 1501	Family Support Payments to States
75 X 1504	Community Services Block Grant
75 X 1534	Social Services Block Grant
75 X 1536	Children and Families Services Programs
75 X 1553	Children's Research and Technical Assistance
75 X 6234	Collections for Past Due Support from Federal Tax Refunds (DF)
75 X 6288	Payment to States from Receipts for Child Support (DF)

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
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NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Multi-Year Appropriations

75 1502 (7/8, 8/9, 9/0)	Low Income Home Energy Assistance
75 1503 (6/8, 5/7	
7/9, 0/2, 1/3)	Refugee Entrant Assistance
75 1522 (7/1)	Contingency Fund for State Welfare
75 1550 (7/8, 0/1)	Child Care Entitlement
75 1552 (8/1, 9/3)	Temporary Assistance to Needy Families
75 1534 (0/1)	Social Services Block Grant
75 1536 (9/0, 1/2)	Children and Families Services Programs
75 8/1 1552	Refugee and Entrants Assistance
75 5/7 8605	Violent Crime Reduction Programs

Budgets and Budgetary Accounting

Financing sources are provided through Congressional appropriations on an annual, multi-year and no-year basis. Annual appropriations are available for incurring obligations during a specified year; and multi-year appropriations are generally available for two years. No-year or "X-year" appropriations are available for obligations until the purpose for which they are provided are carried out, and therefore, are for an indefinite period. For financial statement purposes, appropriations are recognized as financing sources as expenses are incurred.

Other financing sources are provided in the form of gifts from the public, interest on investments, and miscellaneous sales. All of these financing sources may be used to finance operating expenses and for capital expenditures, as specified by law.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Fund Balances with the U. S. Treasury

ACF maintains all cash accounts with the U.S. Treasury. The account "Fund Balance With Treasury" represents appropriated, revolving, trust and other funds available to pay current liabilities. The U.S. Treasury processes cash receipts and disbursements for ACF.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Earned Revenues

Accounts receivable, including interest receivable, consist of amounts owed to ACF by other Federal agencies and the public. These balances are presented net of allowances for uncollectable accounts, if needed. The allowance estimates are based on past collection experience and/or an aging analysis of the outstanding balances. Earned revenues associated with programs are immaterial and are netted in the Statement of Net Cost.

Accrued Grants

Accrued Grants generally can be classified into two categories, block and non-block grants. Block grant expenses are recorded as the grantees draw funds. Therefore, the year-end accrual for block grants is equal to the amount of funds drawn that have not already been recorded as expenditures. Non-block grantee draw funds to meet their immediate cash needs and the grantees report actual disbursements (cash expenditures) quarterly. Hence, the year-end accrual for non-block grants is equal to the estimate of the fourth quarter expenditures, plus an average of two weeks expenditures for expenses incurred prior to cash withdraws. However, the Foster Care Program estimate for expenses incurred prior to cash withdraws is an average of one week of expenditures. This exception is made because 50 percent of this program's costs are paid in the beginning of each month; thus, there is no accrual at the end of the reporting period for these costs.

Some ACF grants are technically block grant programs, but have expenditure cycles similar to non-block grant programs. The year-end accruals for these grants are a combination of the two accruals mentioned above. The year-end accrual for these grants is the estimate of the fourth quarter expenditure. However, it does not include the two weeks of average expenditures because the grant cycle is essentially complete at the end of the fourth quarter. These programs are Temporary Assistance for Needy Families and Child Care Development Fund.

Equipment

Equipment purchases are valued at cost and are capitalized when cost is \$25 or more with a useful life of more than two years. Equipment, buildings and capital improvements are depreciated on a straight-line basis over the estimated useful life of the asset; land is not depreciated. Routine maintenance and repair costs are expensed as incurred.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
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NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities

Liabilities are recognized for amounts of probable future outflows or other sacrifices of resources as a result of past transactions or events. Since ACF is a component of the U. S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payment of all liabilities other than contracts can be abrogated by the sovereign entity.

Unfunded liabilities are incurred when funding has not yet been made available through Congressional appropriations or current earnings. ACF recognizes such liabilities for employee annual leave earned but not taken, and amounts billed by the Department of Labor (DOL) for the worker's compensation benefits. In accordance to Public Law and existing Federal accounting standards, a liability is not recorded for any future payment made on behalf of current workers contributing to the Medicare Hospital Insurance Trust Fund.

Employee Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees.

Retirement Plans

Most ACF employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under CSRS, ACF makes matching contributions equal to 7.4 percent of basic pay. Under FERS, ACF contributes the employer's matching share for Social Security and an amount equal to one percent of employee's pay to a savings plan. ACF will also match an employee's savings plan contribution up to an additional 4 percent of pay. Employees hired after December 31, 1983 are automatically covered by FERS. The Office of Personnel Management (OPM) is responsible for reporting on CSRS and FERS plan assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to Federal civilian employees.

The FASAB's SFFAS Number 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the full cost of pensions, health and life insurance

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
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NOTES TO FINANCIAL STATEMENTS
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(Dollars in thousands)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

benefits, during their employees' active years of service. OPM, as the administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. Accordingly, an imputed financing source and corresponding imputed personnel cost is reflected in the Statements of Changes in Net Position, the Statements of Net Costs, and the Statements of Financing, respectively. These imputed balances do not affect ACF's net position.

Payroll Processing

The HHS centralized payroll system (i.e. Accounting for Pay System) computes employee payroll and benefits.

Obligations Related to Canceled Appropriations

Payments may be required of up to 1% of current year appropriations for valid obligations incurred against prior year appropriations that have been canceled. The total potential payments related to canceled appropriations is estimated to be \$428,000 and \$321,000 as of September 30, 2001 and 2000, respectively.

Non-Entity Transactions

Non-entity assets and revenues are held by ACF, with no authority for use. In most cases, these represent custodial/fiduciary activities for the General Fund of the U.S. Treasury. Offsetting liabilities are recorded to ensure that these balances are not recognized as equity of ACF. The presentation of non-entity assets, custodial liabilities and revenues in a separate, self-balancing set of subsidiary accounts ensures that the net position presents only those resources which will be consumed in current or future operating cycles. The current year's collections and disbursements are reported in Note 9.

Contingencies

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to the Department/OPDIV. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened or potential litigation, a contingent liability is recognized when a past transaction or event has occurred a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - FUND BALANCES WITH TREASURY

ACF's undisbursed account balances at September 30, 2001 and 2000, are listed below by fund type. Other funds include deposit, suspense, clearing and related non-spending accounts. The non-entity amount consists of funds transferred from the Internal Revenue Service to ACF. These amounts are then subsequently forwarded to the States for Child Support payments. During FY 2001, these amounts increased substantially due to timing differences; amounts received on the last day of the fiscal year were not disbursed until a few days later, after fiscal year end. The amounts received from the Internal Revenue Service for FY 2001 also included "tax rebate" amounts which were also subject to withholding for Child Support payments.

	2001			2000		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Trust funds	\$ 29,967	\$ -	\$ 29,967	\$ 117,451	\$ -	\$ 117,451
Appropriated funds	29,206,349	-	29,206,349	29,579,847	-	29,579,847
Other funds (Note 9)	(358)	41,485	41,127	-	5,018	5,018
Total	<u>\$29,235,958</u>	<u>\$41,485</u>	<u>\$29,277,443</u>	<u>\$29,697,298</u>	<u>\$5,018</u>	<u>\$29,702,316</u>

At September 30, 2001, the following Appropriated Funds were either temporarily or permanently unavailable pursuant to Public Law 104-193:

- Contingency Fund for State Welfare Program (75 7/1 1522), unavailable amount of \$1,957,898, with no obligations.
- Temporary Assistance to Needy Families (75 8/1 1552), unavailable amount of \$2,784, with obligations in the amount of \$2,784.
- Temporary Assistance to Needy Families (75 9/3 1552), unavailable amount of \$600,000 with obligations in the amount of \$200,000.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTS RECEIVABLE, NET

	<u>2001</u>			<u>2000</u>		
	<u>Accounts Receivables Principal</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>	<u>Accounts Receivables Principal</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
From the public	\$ 116	\$ (27)	\$ 89	\$ 123	\$ (3)	\$ 120
Intra-governmental	<u>784</u>	<u>-</u>	<u>784</u>	<u>2,184</u>	<u>-</u>	<u>2,184</u>
Total	<u>\$ 900</u>	<u>\$ (27)</u>	<u>\$ 873</u>	<u>\$ 2,307</u>	<u>\$ (3)</u>	<u>\$ 2,304</u>

ACF does not have intra-OPDIV eliminations relating to accounts receivable.

NOTE 4 - PROPERTY AND EQUIPMENT

ACF's equipment is summarized as follows:

	<u>2001</u>	<u>2000</u>
Equipment	\$ 558	\$ 558
Accumulated depreciation	<u>(365)</u>	<u>(284)</u>
Net	<u>\$ 193</u>	<u>\$ 274</u>

Most buildings occupied by ACF are provided by the General Services Administration (GSA). GSA charges ACF a Standard Level Users Charge (SLUC), which approximates commercial rental rates for similar properties. Expense for SLUC was approximately \$14,600 in FY 2001 and \$12,100 in FY 2000.

NOTE 5 - ACCRUED GRANT LIABILITY

Liability advances relate to grant program funds provided primarily to state and local governments, as well as universities and non-profit organizations. Grant recipients are paid through the Division of Payment Management's (DPM) Payment Management System (PMS), the manager of HHS's central grants payment system.

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NOTE 5 - ACCRUED GRANT LIABILITY (CONTINUED)

Grant advances are liquidated upon the grantee's reporting of expenditures on the quarterly SF-272 Report, Federal Cash Transaction Report. In many cases, these reports are received several months after the grantee actually incurs the expense reported therein. ACF adopted a Department-wide accrual methodology to estimate and accrue amounts due grantees for their expenditures made through September 30th, for which expenditure reports (principally SF-272 Reports) have not been received from such grantees as of September 30th and not reported by that date. These estimated accrual amounts were determined by DPM.

Advances and prepayments at September 30, 2001 and 2000 are summarized as follows:

	<u>2001</u>	<u>2000</u>
Grant advances outstanding	\$ 8,162,908	\$ 8,011,754
Less estimated accrual for amounts due to grantees	<u>(9,678,051)</u>	<u>(8,839,464)</u>
Net grant advance liability	<u><u>\$(1,515,143)</u></u>	<u><u>\$ (827,710)</u></u>

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	<u>2001</u>	<u>2000</u>
Accrued FECA liability (Note 7)	\$ 5,082	\$ 4,708
Accrued leave	11,052	10,914
Liability for deposit funds (Note 9)	<u>36,186</u>	<u>5,018</u>
Total	<u><u>\$ 52,320</u></u>	<u><u>\$ 20,640</u></u>

NOTE 7 – ACCRUED FECA LIABILITY

The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The amount of this liability is provided to ACF by DOL's Employment Standards Administration, pursuant to the Federal Employees' Compensation Act (FECA). The liability is determined using a method that utilizes historical benefit payment patterns, related to a specific incurred period, to predict the ultimate payment related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized

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NOTE 7 – ACCRUED FECA LIABILITY (CONTINUED)

economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting at September 30, 2001 is 5.2% for year one and thereafter.

NOTE 8 - UNEXPENDED APPROPRIATIONS

Unobligated Appropriations are either available for obligation or not available (permanently or temporarily) pursuant to a specific provision in law. Undelivered Orders represents appropriations obligated (i.e. legally reserved) for the amount of goods or services ordered but not yet received. The Unobligated Balances Unavailable below includes appropriations of approximately \$2,600,000 in 2001 and \$2,446,000 in 2000 not available temporarily pursuant to public law. On the Statement of Budgetary Resources these amounts are merged in the Adjustments balance of the Budget Resources section of that statement.

	September 30,	
	2001	2000
Unobligated:		
Available	\$ 710,548	\$ 783,232
Unavailable	<u>7,786,533</u>	<u>7,635,548</u>
Total unobligated	8,497,081	8,418,780
Undelivered orders	<u>19,193,101</u>	<u>20,426,221</u>
Total unexpended appropriations	<u>\$ 27,690,182</u>	<u>\$ 28,845,001</u>

See Note 2, Fund Balance with Treasury, for the specific appropriations affected, unavailable amounts and obligations incurred.

NOTE 9 – CHILD SUPPORT ENFORCEMENT

ACF receives monies from the Internal Revenue Service for outlay to the states for Child Support. These monies represent delinquent child support payments withheld from Internal Revenue tax refunds. Receipts are transferred to appropriation 75 X 1501 to cover outlays. Activity for the years ended September 30, 2001 and 2000 are summarized as follows:

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 9 – CHILD SUPPORT ENFORCEMENT (CONTINUED)

	<u>2001</u>	<u>2000</u>
Receipts	\$ 1,598,078	\$ 1,375,442
Outlays	\$ 1,561,611	\$ 1,368,549
Fund balance with Treasury (Note 2)	\$ 41,485	\$ 5,018

Monies remaining at September 30th are included in the Liability for Deposit Funds on the Statement of Financial Position (Note 6).

NOTE 10 – NET COST BY BUDGET FUNCTION

The following is a summary of ACF's net cost for the years ended September 30, 2001 and 2000 by budget function. Offsetting earned revenues and intra-entity transactions were approximately \$15,747 and \$10,000 in fiscal 2001 and 2000, respectively.

	<u>2001</u>		
	<u>Intra- governmental</u>	<u>With the Public</u>	<u>Total</u>
<u>Budget Function</u>			
Education, training and social services	\$ 68,035	\$ 15,769,256	\$ 15,837,291
Income security	14,854	27,739,417	27,754,271
Criminal justice	<u>557</u>	<u>94,083</u>	<u>94,640</u>
Total	<u>\$ 83,446</u>	<u>\$ 43,602,756</u>	<u>\$ 43,686,202</u>

	<u>2000</u>		
	<u>Intra- governmental</u>	<u>With the Public</u>	<u>Total</u>
<u>Budget Function</u>			
Education, training and social services	\$ 73,265	\$ 13,109,672	\$ 13,182,937
Income security	45,253	24,077,766	24,123,019
Criminal justice	<u>782</u>	<u>125,087</u>	<u>125,869</u>
Total	<u>\$ 119,300</u>	<u>\$ 37,312,525</u>	<u>\$ 37,431,825</u>

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2001 and 2000
(Dollars in thousands)**

NOTE 11 - GRANT AWARDS

The Single Audit Act of 1984, as revised, provides that recipients receiving \$300 or more in Federal financial assistance have an annual audit of its activities performed by an independent non-Federal auditor. The result of these audits furnish information to awarding agencies about the validity of their financial assistance award expenditures, adequacy of internal controls over Federal assistance, and the extent of compliance with grant rules and regulations. Disallowed costs identified pursuant to these audits are used to reduce future years' grant awards, or returned to the awarding agency or general receipt funds, as required by appropriation law. Such reduction or returned awards are reported in the year the determination is made.

The final determination of allowable costs relating to grants provided by ACF in FY 2001 and 2000, has not been completed. Accordingly, awards issued and expensed may ultimately be adjusted for recipients' costs determined disallowed pursuant to the audit. As a result, later reviews may identify disallowances of FY 2001 and 2000 expenditures after the financial statements have been issued. Even though the periods are not compatible, it should be noted that the FY 2001 and 2000 audit disallowances are summarized as follows:

	<u>2001</u>	<u>2000</u>
Disallowance	\$ 263,100	\$ 29,800
Total grants	<u>41,500,000</u>	<u>37,800,000</u>
Percent	<u>.63%</u>	<u>.08%</u>

This information is an integral part of
the accompanying financial statements.

**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(RSSI)**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
September 30, 2001 and 2000
(Dollars in thousands)**

INVESTMENTS IN HUMAN CAPITAL

By definition, "Investment in Human Capital" refers to those expenses incurred for programs for education and training of the public that are intended to maintain or increase national productive capacity.

ACF is able to estimate investment in human capital for the Administration for Developmental Disabilities (ADD) using existing data collection activities. Under ADD fifty-five grants were awarded for Projects of National Significance (PNS). PNS grants are awarded to public or private, non-profit institutions to enhance the independence, productivity, integration and inclusion into the community of people with developmental disabilities. Monies also support the development of national and state policy to serve this community. Grants awarded totaled \$6,070 in FY 2001 and \$8,412 in FY 2000.

INVESTMENTS IN RESEARCH AND DEVELOPMENT

ACF oversees research and development programs intended to increase or maintain national economic productive capacity. ACF invested in research and development during the year ended September 30, 2001 and 2000 as follows:

	<u>2001</u>	<u>2000</u>
Applied research	\$ 30,693	\$ 29,319
Administrative Costs	<u>1,167</u>	<u>1,168</u>
Total	<u><u>\$ 31,860</u></u>	<u><u>\$ 30,487</u></u>

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
REQUIRED SUPPLEMENTARY INFORMATION
TRADING PARTNER INFORMATION
As of and For The Year Ended September 30, 2001
(Dollars in thousands)**

Agency	Treasury Financial Mgmt. Dept. Code	Assets			
		Fund Balance w/Treasury	Investments	Accounts Receivable	Other
Dept. of Agriculture	12	\$ -	\$ -	\$ -	\$ -
Dept. of Commerce	13	-	-	-	-
Dept. of Defense	17,21,57,97	-	-	-	-
Dept. of Education	91	-	-	-	-
Dept. of Energy	89	-	-	-	-
Dept. of Housing and Urban Development	86	-	-	-	-
Dept. of Health and Human Services	75	-	-	742	-
Dept. of the Interior	14	-	-	-	-
Dept. of Justice	15	-	-	-	-
Dept. of Labor	16	-	-	-	-
Dept. of State	19	-	-	-	-
Dept. of Transportation	69	-	-	-	-
Dept. of the Treasury	20	29,277,443	-	-	-
Dept. of Veterans Affairs	36	-	-	-	-
Agency for International Development	72	-	-	-	-
Environmental Protection Agency	68	-	-	-	-
Federal Emergency Mgmt. Agency	58	-	-	-	-
General Services Admin	47	-	-	-	-
National Aeronautics and Space Admin	80	-	-	-	-
National Science Foundation	49	-	-	-	-
Nuclear Regulatory Commission	31	-	-	-	-
Office of Personnel Mgmt	24	-	-	-	-
Small Business Admin	73	-	-	36	-
Social Security Admin	28	-	-	-	-
All other Federal agencies	-	-	-	6	-
TOTAL		<u>\$ 29,277,443</u>	<u>\$ -</u>	<u>\$ 784</u>	<u>\$ -</u>

Liabilities				Fiscal 2001 Activity				
Accounts Payable	Environmental and Disposal Costs	Debt	Accrued Payroll & Benefits	Other Liabilities	Earned Revenue	Gross Cost	Non-exchange Revenue Transfers-In	Transfers-Out
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ -
-	-	-	-	-	-	5,096	-	-
-	-	-	-	-	-	19	-	-
-	-	-	-	-	1,819	1,083	-	-
-	-	-	-	-	-	513	-	-
-	-	-	-	-	-	200	-	-
34	-	-	-	-	3,338	23,119	-	-
3	-	-	-	-	-	1,180	-	-
-	-	-	-	-	-	1,744	-	-
70	-	-	-	-	-	594	-	-
-	-	-	-	-	-	60	-	-
-	-	-	-	-	-	82	-	-
9	-	-	-	-	109	344	-	-
-	-	-	1,542	-	-	322	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,720	-	-	-	-	-	51,246	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	34	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,564	2,536	-	-
831	-	-	-	-	-	2,129	-	-
<u>\$ 2,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,542</u>	<u>\$ -</u>	<u>\$ 6,855</u>	<u>\$ 90,301</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER ACCOMPANYING INFORMATION

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATING BALANCE SHEET
As of September 30, 2001
(Dollars in thousands)**

	Education, Training and Social Services	Income Security	Admin of Justice	Consolidating Totals
ASSETS				
Intra-governmental:				
Fund balance with Treasury	\$ 8,699,964	\$20,547,511	\$ 29,968	\$29,277,443
Accounts receivable, net	<u>726</u>	<u>58</u>	<u>-</u>	<u>784</u>
Total intra-governmental	8,700,690	20,547,569	29,968	29,278,227
 Accounts receivable, net	 85	 4	 -	 89
Property and equipment, net	<u>193</u>	<u>-</u>	<u>-</u>	<u>193</u>
 TOTAL ASSETS	 <u><u>\$ 8,700,968</u></u>	 <u><u>\$20,547,573</u></u>	 <u><u>\$ 29,968</u></u>	 <u><u>\$29,278,509</u></u>
 LIABILITIES				
Intra-governmental:				
Accounts payable	\$ 2,059	\$ 608	\$ -	\$ 2,667
Accrued payroll and benefits	<u>1,542</u>	<u>-</u>	<u>-</u>	<u>1,542</u>
Total intra-governmental	3,601	608	-	4,209
 Accounts payable	15,643	6,974	10	22,626
Accrued payroll and benefits	6,159	9	-	6,168
Accrued grant liability	679,342	800,210	35,591	1,515,143
Accrued FECA liability	5,082	-	-	5,082
Accrued annual leave	11,052	-	-	11,053
Liability for deposit funds	<u>(3,052)</u>	<u>38,618</u>	<u>620</u>	<u>36,186</u>
 Total liabilities	 <u>717,827</u>	 <u>846,419</u>	 <u>36,221</u>	 <u>1,600,467</u>
 NET POSITION				
Unexpended appropriations	7,996,372	19,700,063	(6,253)	27,690,182
Cumulative results of operations	<u>(13,231)</u>	<u>1,091</u>	<u>-</u>	<u>(12,140)</u>
Total Net Position	<u>7,983,141</u>	<u>19,701,154</u>	<u>(6,253)</u>	<u>27,678,042</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 8,700,968</u></u>	 <u><u>\$20,547,573</u></u>	 <u><u>\$ 29,968</u></u>	 <u><u>\$29,278,509</u></u>

Note –Intra-entity transactions are not material.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATING STATEMENT OF NET COST
For The Year Ended September 30, 2001
(Dollars in thousands)**

	Education, Training and Social Services	Income Security	Admin of Justice	Consolidated Totals
GPRA PROGRAM COSTS:				
Temporary Assistance to Needy Families	\$ 18,288	\$ 17,867,986	\$ -	\$ 17,886,274
Developmental Disabilities	104,883	368	-	105,251
Refugee Resettlement	3,654	382,069	-	385,723
Social Services Block Grant	1,859,959	-	-	1,859,959
Child Support Enforcement	45,666	3,224,438	-	3,270,104
Child Care	12,118	4,106,837	-	4,118,955
Head Start	6,010,272	3,805	-	6,014,077
Child Welfare	7,012,582	1,596	-	7,014,178
Youth	55,122	368	85,463	140,953
Community Services	661,435	368	-	661,803
Domestic Violence	20,867	122	9,244	30,233
Low Income Home Energy Assistance	1,826	2,166,068	-	2,167,894
Native American	29,710	246	-	29,956
Individual Development Accounts	908	-	-	908
Net Costs – GPRA Programs	<u>15,837,290</u>	<u>27,754,271</u>	<u>94,707</u>	<u>43,686,268</u>
OTHER ACTIVITIES:				
Expired Programs - Community Schools	1	-	-	1
Other, net	-	-	(67)	(67)
Total Other Activities	<u>1</u>	<u>-</u>	<u>(67)</u>	<u>(66)</u>
NET COST OF OPERATIONS	<u><u>\$ 15,837,291</u></u>	<u><u>\$ 27,754,271</u></u>	<u><u>\$ 94,640</u></u>	<u><u>\$ 43,686,202</u></u>

Note –Intra-entity transactions are not material.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES,
ADMINISTRATION FOR CHILDREN AND FAMILIES
CONSOLIDATING STATEMENT OF CHANGES IN NET COST
For The Year Ended September 30, 2001
(Dollars in thousands)**

	Education Training and Social Services	Income Security	Admin of Justice	Consolidated Totals
NET COST OF OPERATIONS	\$ (15,837,291)	\$ (27,754,271)	\$ (94,640)	\$ (43,686,202)
Financing Sources (other than exchange revenues):				
Appropriations used	15,835,762	27,743,468	94,640	43,673,870
Imputed financing	<u>9,708</u>	<u>-</u>	<u>-</u>	<u>9,708</u>
Net results of operations	8,179	(10,803)	-	(2,624)
Decrease in unexpended appropriations	<u>(274,823)</u>	<u>(778,815)</u>	<u>(95,349)</u>	<u>(1,148,987)</u>
CHANGE IN NET POSITION	(266,644)	(789,618)	(95,349)	(1,151,611)
NET POSITION – BEGINNING OF YEAR	<u>8,249,785</u>	<u>20,490,772</u>	<u>89,096</u>	<u>28,829,653</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,983,141</u></u>	<u><u>\$ 19,701,154</u></u>	<u><u>\$ (6,253)</u></u>	<u><u>\$ 27,678,042</u></u>